

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 20, 2005

IN RE:

**PETITION OF KENTUCKY UTILITIES FOR
AN ORDER AUTHORIZING THE ISSUANCE
OF SECURITIES AND THE ASSUMPTION OF
OBLIGATIONS**

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**DOCKET NO.
05-00144**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Pat Miller, Director Deborah Taylor Tate and Director Sara Kyle of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 13, 2005 for consideration of the *Petition* of Kentucky Utilities Company (“KUC”) for an order, pursuant to Tenn. Code Ann. § 65-4-109 (2004), authorizing the issuance of securities and the assumption of obligations.

Petition

KUC is an electric utility primarily serving customers in Kentucky and Virginia, with only five customers in the state of Tennessee. In its *Petition*, filed with the TRA on May 12, 2005, KUC requested authority to issue its First Mortgage Bonds in an aggregate principal amount not to exceed \$13,266,950 and to assume certain obligations in connection therewith, represented by one or more loan agreements with Carroll County, Kentucky (“Carroll County”). Carroll County will simultaneously issue Environmental Facilities Revenue Bonds (“Pollution Control Bonds”) in an aggregate principal amount not to exceed \$13,266,950, the proceeds of which will be loaned to KUC. KUC will use the proceeds of such Carroll County Pollution

Control Bonds to provide permanent financing for portions of pollution control facilities at KUC's Ghent Generating Station in Carroll County. The proposed First Mortgage Bonds of KUC will be used to secure and collateralize the Carroll County Pollution Control Bonds. KUC also requested authority to execute and deliver, as required, and to perform its obligations under, loan agreements with Carroll County, and any remarketing agreements, and notes as are set forth in the *Petition* and to perform the transactions contemplated by those agreements. The transaction will allow a portion of the cost of KUC's pollution control project to be financed on a tax-exempt basis, resulting in lower costs.

Statutory Framework

Tenn. Code Ann. § 65-4-109 (2004) provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

June 13, 2005 Authority Conference

At a regularly scheduled Authority Conference held on June 13, 2005, the Panel voted unanimously to approve the *Petition* upon a finding that the proposed transaction will be made for proper purpose and in accordance with Tennessee laws.

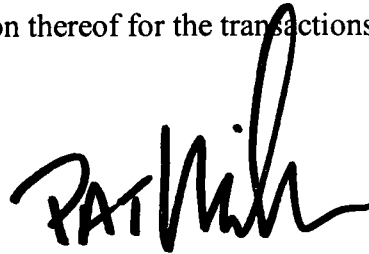
IT IS THEREFORE ORDERED THAT:

1. KUC is authorized to issue and deliver its First Mortgage Bonds in one or more series in an aggregate principal amount not to exceed \$13,266,950 in the manner set forth in its *Petition* contingent upon approval of the proposed transactions by the Kentucky Public Service

Commission and subject to any filing requirements imposed by the Kentucky Public Service Commission.

2. KUC is authorized to execute, deliver and perform the obligations of KUC under, inter alia, the loan agreement(s) with Carroll County, Kentucky and under any remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, guaranty agreements, credit agreements and facilities, and such other agreements and documents as set out in its *Petition*, and to perform the transactions contemplated by all such agreements contingent upon approval of the proposed transactions by the Kentucky Public Service Commission and subject to any filing requirements imposed by the Kentucky Public Service Commission.

3. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of KUC securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.

A handwritten signature in black ink, appearing to read "PAT Miller", written over a horizontal line.

Pat Miller, Chairman

A handwritten signature in black ink, appearing to read "Deborah Taylor Tate", written over a horizontal line.

Deborah Taylor Tate, Director

A handwritten signature in black ink, appearing to read "Sara Kyle", written over a horizontal line.

Sara Kyle, Director